

## The mediating role of entrepreneurial orientation on the relationship between organization capacity and performance of manufacturing small and medium enterprises

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### Abstract

This cross-sectional study was carried out to establish the effect of organization capacity and entrepreneurial orientation (EO) on performance of manufacturing SMEs in Kenya. The small and medium enterprise (SME) manufacturing segment is integral to the economies of developing countries because it breeds growth, innovation and prosperity. In Kenya, manufacturing dominates SMEs' contribution to gross domestic product (GDP) and stimulates investment in all economic sectors. However, Kenya's growth in manufacturing capacity and competitiveness is dismal when compared with similar global competitors. Developing an effective organisation capacity and engaging EO obligates manufacturing SMEs to create production processes that can enhance performance outcomes and achieve competitive advantage. A structured self-administered questionnaire was used to gather quantitative data from all food and beverage SMEs registered with Kenya Association of Manufacturers. Data were analysed using inferential statistics and structural equation modelling was used to test the relationships among the study variables. The study found that organisation capacity has a positive influence on performance of manufacturing SMEs, and that EO fully mediates the relationship between them. The study recommends that for manufacturing SMEs to maximise the performance capabilities of their resources, they have to establish a norm of entrepreneurial behaviours in all their operations.

**Keywords:** sense-making, decision-making, asset availability, operations management, manufacturing SMEs.

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